

south carolina

peba

state health plan | retirement systems

Serving those who serve South Carolina

## Understanding Your Retirement Plan

Retirement Planning Seminar  
FY 2016

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### Employee contributions



- SCRS:
  - 8.16 percent effective July 1, 2015
- PORS:
  - 8.74 percent effective July 1, 2015

*Employee contribution rates may increase beyond the scheduled amounts if necessary to maintain appropriate funding levels for the systems.*

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### Employer contributions



- SCRS:
  - 11.06 percent effective July 1, 2015
- PORS:
  - 13.74 percent effective July 1, 2015

*Employer contribution rates may increase beyond the scheduled amounts if necessary to maintain appropriate funding levels for the systems.*

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## Retirement plans administered by PEBA



- South Carolina Retirement System (SCRS)
- Police Officers Retirement System (PORS)
- Judges and Solicitors Retirement System (JSRS)
- General Assembly Retirement System (GARS)
- South Carolina National Guard Retirement System Supplemental Benefits Plan (SCNG Plan)
- State Optional Retirement Program (State ORP)
- South Carolina Deferred Compensation Program (SCDCP)

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## SCRS and PORS member benefits



- Disability protection
- Option to purchase additional service
- In-service Death Benefit and Incidental Death Benefit (Active Members)
- Lifetime monthly benefit not dependent on contribution amount in member's account
- Current law provides an annual benefit adjustment after you retire
- Incidental Death Benefit (retiree, TERI, and working retiree)

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## SCRS disability retirement benefit



- Eligibility:
  - Must have the earned service necessary for service retirement (Class Two = five; Class Three = eight), unless the disability is the result of an on-the-job injury
  - Must apply within 90 days of date of termination from covered employer
  - Must be approved for disability benefits from the federal Social Security Administration
- Benefit:
  - Based only upon the member's service credit and average final compensation as of the date of disability retirement

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## SCRS disability retirement benefit



- If approved, continuing review until age 65:
  - Must provide evidence of continued receipt of Social Security disability benefits to PEBA each year
  - Also subject to disability retiree earnings limitation

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## PORS disability retirement benefit



- Eligibility:
  - Must have the earned service necessary for service retirement, unless the disability is the result of an on-the-job injury
  - Must be permanently incapacitated from performing job duties
  - Decision by PORS Medical Board
- Benefit:
  - Based on projection of service credit to age 55 or 25 years of service, whichever is less

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## PORS disability retirement benefit



- If approved, until age 55:
  - May be scheduled for continuing disability reviews
  - Also subject to disability retiree earnings limitation

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## Why purchase service?



- Provides additional years of service which may help you retire sooner
- May help increase the amount of your retirement benefit since your years of service are part of the retirement benefit formula

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## Types of service purchase



- Public service
- Educational service
- Military service
- Leave of absence
- State ORP participation
- Non-qualified service
- Workers' compensation
- Military leave
- Previously withdrawn service
- Transfer from SCRS to PORS

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## Service purchase cost



- Actuarially neutral cost based on member's age, service credit, and current or career highest fiscal year salary
- Cost will not be less than 35 percent per year for nonqualified service
- Cost will not be less than 16 percent per year for most other types of service
- Actuarially neutral payment requirement does not apply to re-establishment of withdrawn service, transfers or supplementals

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## Service purchase cost



- Workers' compensation:
  - Contributions are based on the earnable compensation at the time of injury plus interest.
  - May arrange in advance with employer to continue remitting contributions through a supplemental report while receiving workers' compensation benefits.

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## Service purchase cost



- Military Leave of Absence:
  - Contributions are based on the earnable compensation immediately prior to the period of leave (no interest charged).
  - Has three times the length of the military service, not to exceed five years, from the date of re-employment to purchase.
  - May arrange in advance with employer to continue remitting contributions through a supplemental report while on military leave.

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## Service purchase cost



- Previously withdrawn service:
  - Cost is based on repaying the amount withdrawn plus interest to the date request is received.
  - A Class Three member who purchases a period of withdrawn service for any period of covered employment before July 1, 2012, will revert to Class Two membership.

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## Service purchase cost



- State ORP service:
  - A Class Three member who purchases a period of State ORP service for any period of employment before July 1, 2012, will revert to Class Two membership.
  - For SCRS only, earnings associated with a period of purchased State ORP service will be considered for possible inclusion in a member's average final compensation and in calculating a service purchase cost.

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## Service purchase cost



- Transfer from SCRS to PORS:
  - Cost is based on 5 percent of current earnable compensation for each year of non-concurrent service being transferred.

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## Service purchase payment options



- Personal check or money order
- Roll money over from your 401(k), 401(a), 403(b), 457, or IRA
- Service Purchase Installment Program:
  - Tax-deferred or after-tax
  - 5.25 percent interest rate for any installment purchase activated during FY16 (July 1, 2015 – June 30, 2016)
  - Payments may be spread out for twice the amount of years/months purchased
  - Purchase must be completed before your date of retirement

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## Service purchase requirements



- Must be an active contributing member
- No duplication of benefits in another defined benefit plan (excludes military) or overlapping service credit
- Must have five years of earned service to purchase non-qualified time
- All service purchases must be completed before you submit your retirement application
- Cost estimates and purchase requests may be made through Member Access

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## In-service death benefit



- SCRS and PORS Class Two members:
  - five or more years of earned service
  - at least age 60 (age 55 in PORS) or have 15 years or more of total service credit
  - must be an active contributing member
  - die while in service as an employee of a participating employer
  - designated beneficiary may be eligible to choose a lifetime monthly benefit

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## In-service death benefit



- SCRS and PORS Class Three members must have at least eight years of earned service.
- If you are younger than age 60 (SCRS) or age 55 (PORS) and have fewer than 15 years of service credit, your beneficiary would receive a refund of your employee contributions plus interest.

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## Incidental Death Benefit



- Active members:
  - If your employer offers the incidental death benefit and you die in service with at least one year of earned service, a payment equal to your current annual earnable compensation will be paid to your designated beneficiary.
  - The one-year of service requirement is waived for an on-the-job death.

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## Accidental Death Program *PORS only*



- Accidental Death Program (ADP) benefit is paid if death occurs while a member is performing a hazard specific to employment while in the actual line of duty without willful negligence on the member's part.
- Monthly annuity: 50 percent of the annual earnable compensation (including overtime) ÷ 12.
- Benefits first payable the day after the death of the member.
- Paid in addition to the other in-service death benefits.

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## When can I retire in SCRS? *Class Two members*



### Normal retirement - (*unreduced benefit*)

- 28 years of service credit with at least five years of earned service
- Age 65 on date of retirement with at least five years of earned service

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## When can I retire in SCRS?

### *Class Two members*



#### Early retirement - (*reduced benefit*)

- Age 60 or older on the date of retirement with five years of earned service
  - 5 percent reduction for each year member retires before age 65
- Age 55 on date of retirement and at least 25 years of service credit, including at least five years of earned service
  - Benefit permanently reduced 4 percent for each year of service less than 28 years.

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## When can I retire in SCRS?

### *Class Three members*



#### • Normal retirement (unreduced benefits)

- Age 65 with at least eight years of earned service, or
- Rule of 90 (age and years of service must add up to 90) with eight years of earned service
  - Example: 56-year-old member with at least 34 years of service, would be eligible for retirement ( $56 + 34 = 90$ )

#### • Early retirement (reduced benefits)

- Age 60 or older on the date of retirement with eight years of earned service
- 5 percent reduction for each year member retires before age 65

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## *When can I retire in PORS?*



#### • PORS Class Two:

- At least 5 years of earned service; and
- At least 25 years of credited service or at least age 55

#### • PORS Class Three:

- At least 8 years of earned service; and
- At least 27 years of credited service or at least age 55

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## Your monthly retirement annuity



- Based on a formula that includes your average final compensation (AFC), your service credit, and a benefit multiplier.
- Multiply your AFC by 1.82 percent (SCRS members) or by 2.14 percent (PORS members), then multiply the result by the number of years of your service credit.
- This formula provides you with the amount of your annual retirement annuity. Divide by 12 to arrive at your monthly annuity.

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## Average Final Compensation (AFC)



- SCRS and PORS Class Two Members:
  - 12 highest consecutive quarters of earnable compensation
- SCRS and PORS Class Three Members:
  - 20 highest consecutive quarters of earnable compensation
- SCRS Class Two and Three Members:
  - Earnable compensation does not include pay for overtime not mandated by the employer

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## Payment plan Option A example



- Step 1 • For Class Two, total 12 highest consecutive quarters of earnable compensation and divide by 3 to determine your average final compensation (also referred to as AFC). Use 20 highest consecutive quarters and divide by 5 for Class Three.
- Step 2 • SCRS members multiply the result of Step 1 by 1.82%.  
• PORS members multiply the result of Step 1 by 2.14%
- Step 3 • Multiply the result of Step 2 by years, months, and days of creditable service.
- Step 4 • Divide the result of Step 3 by 12 for your gross monthly Option A annuity amount.

Early retirement penalties and/or reductions may apply to SCRS members.  
Reduction factors will apply to members who select a joint retiree/survivor payment plan (Option B or Option C).

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## Payment plan Option A example



AFC = \$30,000		
SCRS	$\$30,000 \times 1.82\% =$	\$ 546
	$\$546 \times 28 \text{ years} =$	\$ 15,288
	$\$15,288 \div 12 =$	\$ 1,274.00
PORS	$\$30,000 \times 2.14\% =$	\$ 642
	$\$642 \times 25 \text{ years} =$	\$ 16,050
	$\$16,050 \div 12 =$	\$ 1,337.50

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## Unused leave at retirement



- Class Two members:
  - An amount up to and including 45 days' pay for unused annual leave from your last termination payment may be included in your AFC calculation
  - May receive service credit for up to 90 days of unused sick leave from last employer
- Class Three members:
  - Annual leave payouts are not included in AFC and unused sick leave is not included in service credit

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## Payment plan options



- You may select one of three payment plans.
- Two of the three provide a lifetime monthly benefit to your beneficiary after your death.
  - **Option A** – Maximum Retiree-Only Monthly Benefit Payment Plan
  - **Option B** – 100%-100% Joint Retiree-Survivor Monthly Benefit Payment Plan (*non-spousal restrictions may apply*)
  - **Option C** – 100%-50% Joint Retiree-Survivor Monthly Benefit Payment Plan

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## Post-retirement payment plan changes



- If you choose Options B or C and all of your beneficiaries predecease you, your benefit will revert to Option A effective on the date the last beneficiary died.
- You must notify PEBA of the death of your beneficiary.

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## Post-retirement payment plan changes



- If you have a change in marital status, you may change your payment option within five years of the qualifying event.
- You can only change your payment plan twice regardless of the number of qualifying events that may occur.

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## Benefit adjustments



- For SCRS and PORS Members:
  - Each July 1, current law provides for a 1 percent benefit adjustment up to an annual maximum of \$500

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## Teacher and Employee Retention Incentive Program



- Commonly referred to as TERI Program
- Active SCRS Class Two members only
- Not available to PORS members or SCRS Class Three members
- Closes effective June 30, 2018

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## Teacher and Employee Retention Incentive Program



- Any active Class Two SCRS member eligible to retire may participate.
- You are considered retired, but may continue to work without terminating until program closes on June 30, 2018.
- Monthly payments are held in escrow without interest and distributed at end of your TERI period.
- You do not receive additional service credit during TERI participation.

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## Teacher and Employee Retention Incentive Program



- TERI participants employed by agencies that adhere to state personnel policies are exempt from the State Employee Grievance Procedure Act (employment is **at will**).
- TERI participants whose employers are not governed by state personnel policies are subject to their employer's policies regarding employment status and rights.

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## Teacher and Employee Retention Incentive Program



- You must make contributions as a working retiree while participating in TERI.
- After termination, you receive your accumulated TERI account balance and begin receiving your monthly benefit.
- Your AFC is recalculated at the end of TERI to include payment for unused annual leave paid at termination.
- You must terminate employment at end of your TERI participation period.

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## Teacher and Employee Retention Incentive Program



- Options for payment of accumulated TERI account balance are:
  - Single-sum distribution;
  - Tax-sheltered rollover; or
  - Combination of both.

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## Teacher and Employee Retention Incentive Program



- Mandatory 20 percent federal tax withholding on taxable portion of distribution that is not rolled over.
- If you separate from service before the year in which you reach age 55, you may be subject to an additional 10 percent federal early withdrawal penalty.
- Consult with a tax and/or financial advisor about your TERI distribution.

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## Returning to covered employment after retirement



- If your employer is not governed by state personnel policies, you would be subject to your employer's policies regarding employment status and rights.
- Your contribution rate will be the same percentage of earnable compensation as active members.

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## Returning to covered employment after retirement



- SCRS & PORS Class Two and Three members:
  - \$10,000 per year earnings limitation
  - Earnings limitation does not apply to:
    - members who retire after age 62 (SCRS) or age 57 (PORS);
    - members who retired prior to January 2, 2013;
    - members in elected and certain appointed positions; or
    - SCRS benefits for participants in the TERI Program during the period they participate in the Program.
- A member must be retired for at least 30 consecutive calendar days before returning to covered employment

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## Incidental Death Benefit



- TERI participants and working retirees:
  - If your employer offers the incidental death benefit and you die in service as a retired contributing member with at least one year of earned service, a payment equal to your current annual earnable compensation will be paid to your designated beneficiary (in lieu of \$2,000, \$4,000, or \$6,000 based on service credit)

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## Incidental Death Benefit



- Non-working retired members:

SCRS Service Credit	Benefit	PORS Service Credit
10-19 years	\$2,000	10-19 years
20-27 years	\$4,000	20-24 years Class Two 20-26 years Class Three
28 or more years	\$6,000	25 or more years Class Two 27 or more years Class Three

Your employer immediately prior to retirement must offer the incidental death benefit for your beneficiary to receive this benefit.

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## Retirement planning



- Request a benefit estimate from Customer Service:
  - By phone: 803.737.6800 or 888.260.9430
  - In writing: 202 Arbor Lake Drive, Columbia, SC 29223
  - In person: 8:30 a.m.- 5 p.m.
- Email via "Contact Us" tab at [www.retirement.sc.gov](http://www.retirement.sc.gov)
- Live Chat feature on our website for general retirement information

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## Member Access



- Online resource allows you to view and update your personal retirement information on file with PEBA.
- Register by selecting the [Member Login](#) in the right corner of our website: [www.retirement.sc.gov](http://www.retirement.sc.gov).
- On the Member Access homepage, click [Register Now](#) to start the registration process.

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## Member Access



- Active members may:
  - View designated beneficiary information;
  - View current service credit;
  - View and print member statement;
  - Change address;
  - Calculate an unofficial cost estimate to purchase service credit;
  - Submit a service purchase request;
  - Submit a service retirement application; and
  - View the status of retirement application.

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## Member Access



- Retired members may:
  - Change tax withholdings and address;
  - View and print a 1099-R form;
  - View and print a Teacher and Employee Retention Incentive (TERI) program statement;
  - View and print an annuity verification letter;
  - View current payment method;
  - Change payment method from paper check to direct deposit; and
  - Modify an existing direct deposit account or add an additional direct deposit account.

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## Member Access



- Inactive members may:
  - View and print member statement;
  - Submit a service retirement application (if eligible); and
  - Change address.

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## Ready to start the process?



- How to apply:
  - Call or email Customer Service for an application package;
  - Visit our office and meet with a benefits counselor;
  - Submit a service retirement application online; or,
  - Download the forms from our website.
- Apply up to six months before your date of retirement

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## What to include with your application



- Copy of your birth certificate;
- Copy of your driver's license or state-issued identification card; and
- Copy of birth certificate for each beneficiary, if you are selecting a survivor option

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## Retirement is a special time in your life!



- Carefully consider all options before purchasing any service and/or submitting your retirement application.
- Get help from our knowledgeable staff in understanding any of these retirement benefits or processes.
- Review the more detailed information and publications on our website, or contact Customer Service to request additional information.

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**Disclaimer**



This presentation does not constitute a comprehensive or binding representation regarding the employee benefits offered by the South Carolina Public Employee Benefit Authority (PEBA). The terms and conditions of the retirement and insurance benefit plans offered by PEBA are set out in the applicable statutes and plan documents and are subject to change. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.

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